

# **Employment Based Health Insurance in Montana**

***Steve Seninger, Ph.D. Economist***

***Health Policy Research***

***Bureau of Business and Economic Research***

***The University of Montana-Missoula***

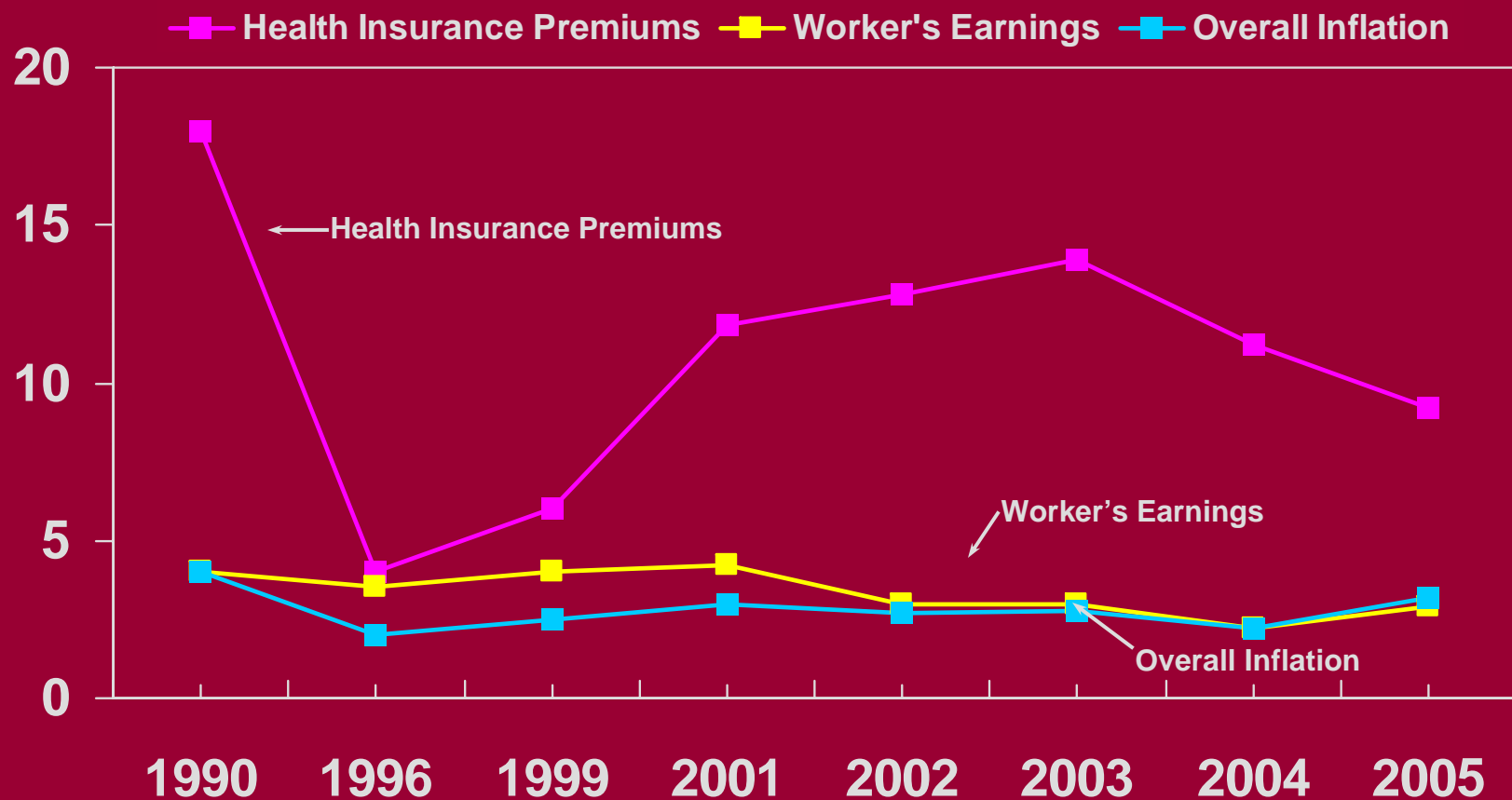
Steve Seninger, Bureau of Business & Economic  
Research, September, 2006



# Healthcare Spending in US & Montana

- National Healthcare Spending > \$1.5 trillion and about 15% of national Gross Product
- Montana 2003 Healthcare Spending estimated at \$4.3 billion....about
- ...16% of Montana Gross State Product
- Increased spending=higher prices and more healthcare utilization

# U.S. Health Insurance Premium Increases: 1990-2005



SOURCES: Kaiser/Health Research and U.S. Bureau of Labor Statistics.

Montana Kids Count; Bureau of Business &  
Economic Research. Winter 2005

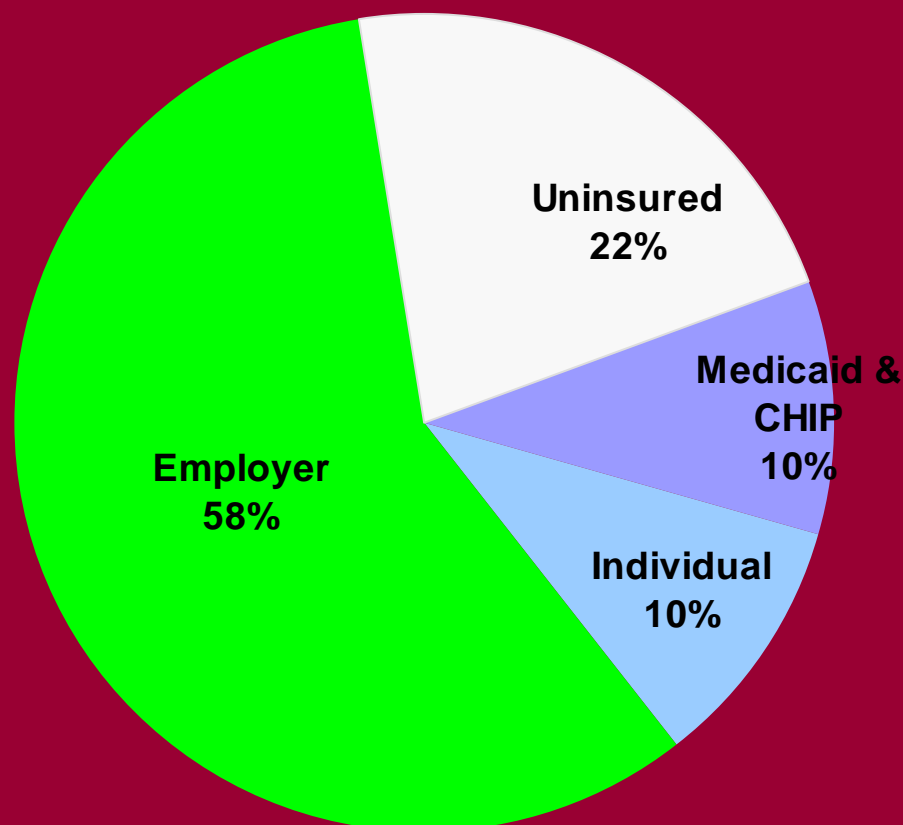


# Impact of Increased Health Spending & Higher Costs

- Higher costs to employers → how do they respond?
- Higher costs to workers → and low wage working who cannot afford
- Result? Workers loose health insurance at work

# Figure 1: Montana Insurance Coverage Ages 0 to 64: 2003

(n=2,348)



Steve Seninger, Bureau of Business & Economic  
Research, September, 2006

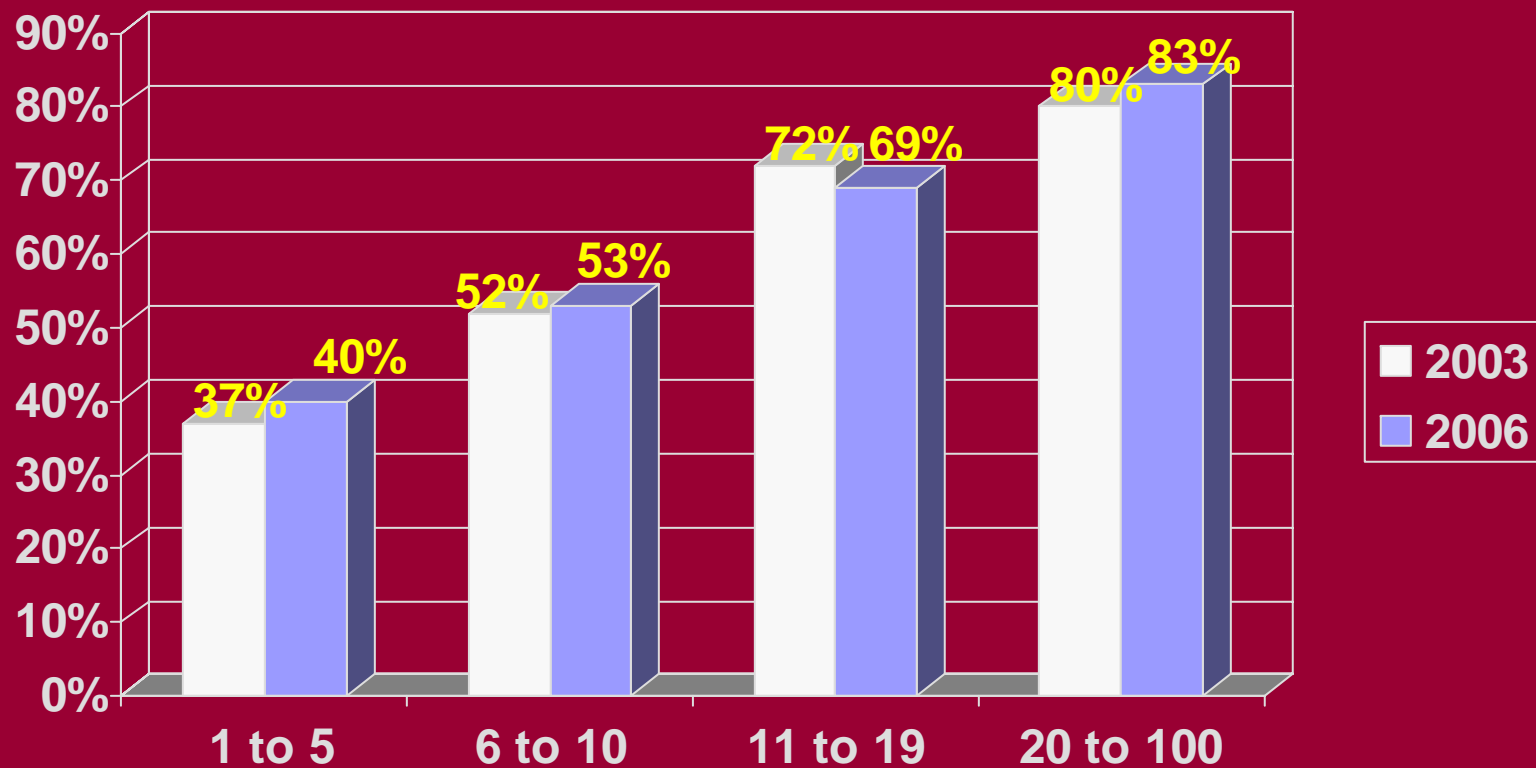
# **Who are Montana's +170,000 Uninsured?**

- **White →86% of uninsured Montanans**
- **Adults +25 years of age→67%**
- **High school degree or higher→92%**
- **Employed→77%**
- **Self-Employed or work for firms<10 employees→60%**

# **2006 Employer Survey (n=486)**

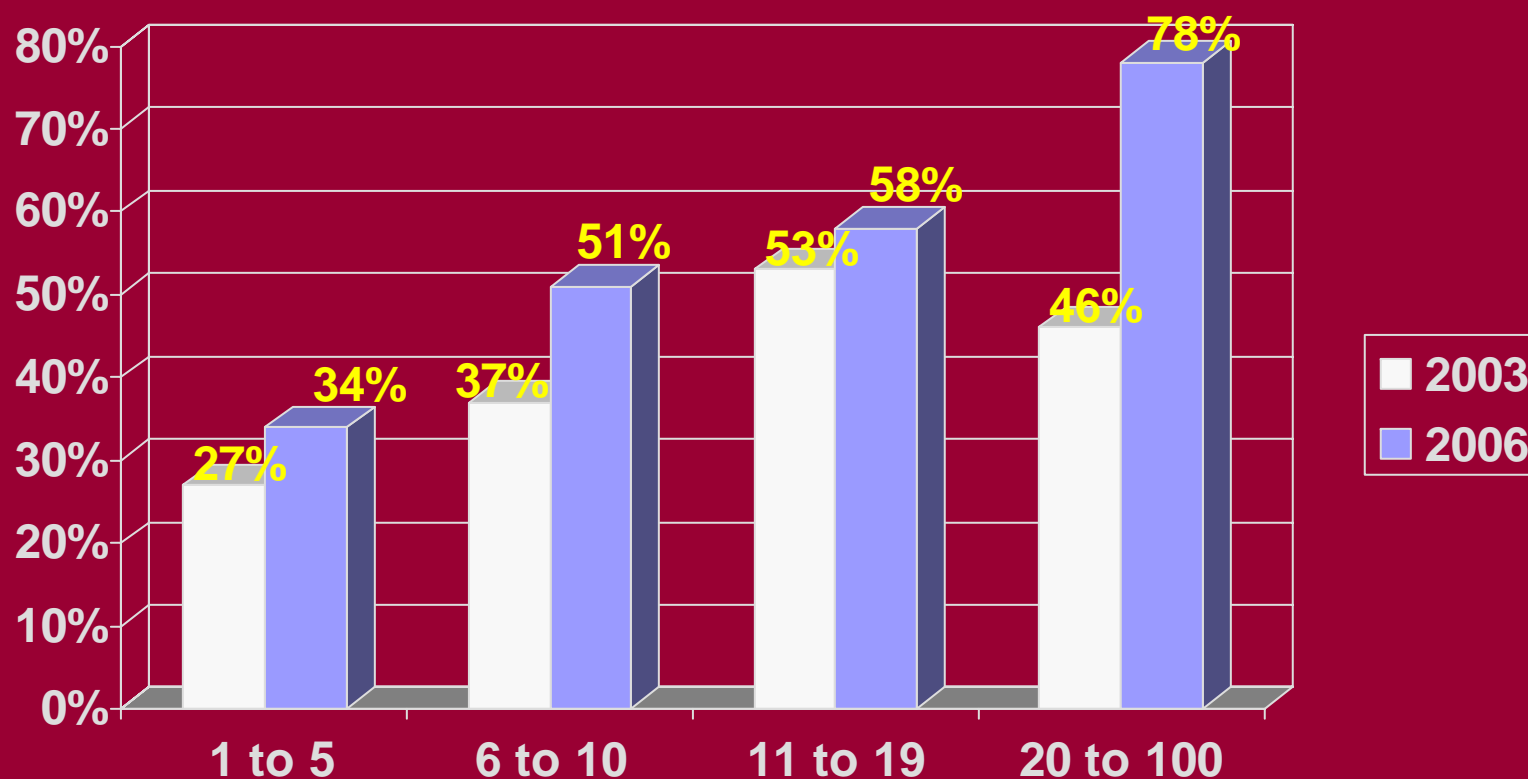
- 418 out of 486 were in 2003 Survey
- In 2006 50% of Montana employers offer health insurance
- 40% of small firms with 1 to 5 workers offer insurance
- 76% of non-offering firms cite cost

**Figure 2: Percent of Firms Offering Health Insurance by # of Employees: 2003 & 2006**





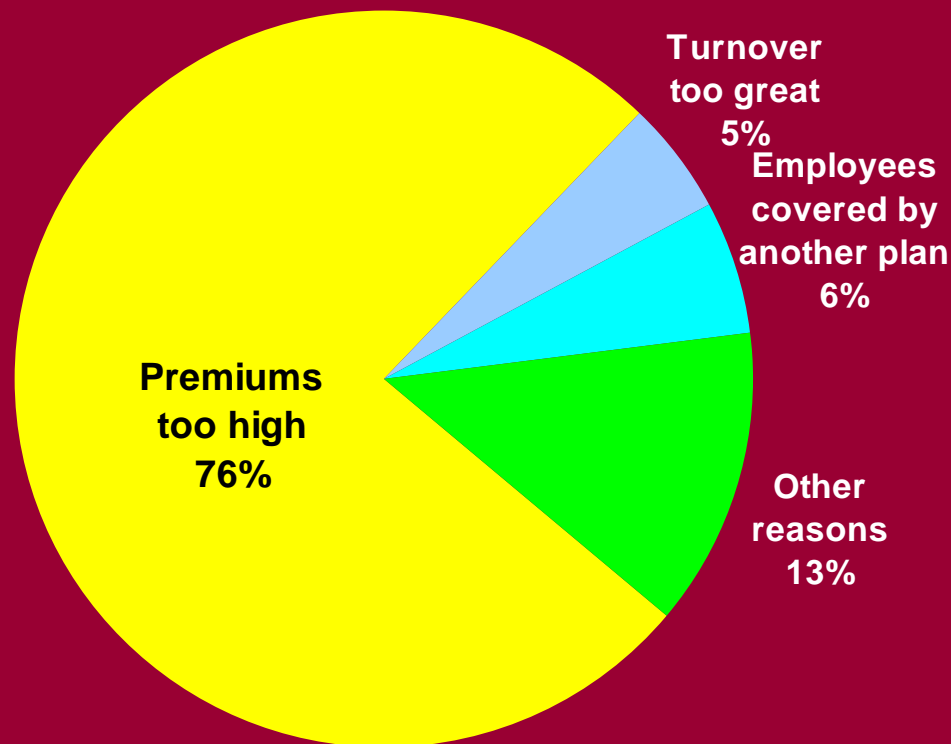
**Figure 3: Percent of Firms Offering Health Insurance to all workers by # of Employees: 2003 & 2006**



# **Changes in Employers' Insurance Offering: 2003 to 2006**

- **No major changes—84 firms did not offer in 2003 or in 2006**
- **25 firms added and 25 firms dropped**
- **High costs of health insurance major reason firms did not offer in either year**

## Figure 4: Why Montana Firms Do Not Offer Health Insurance Coverage:2006 (n=243)

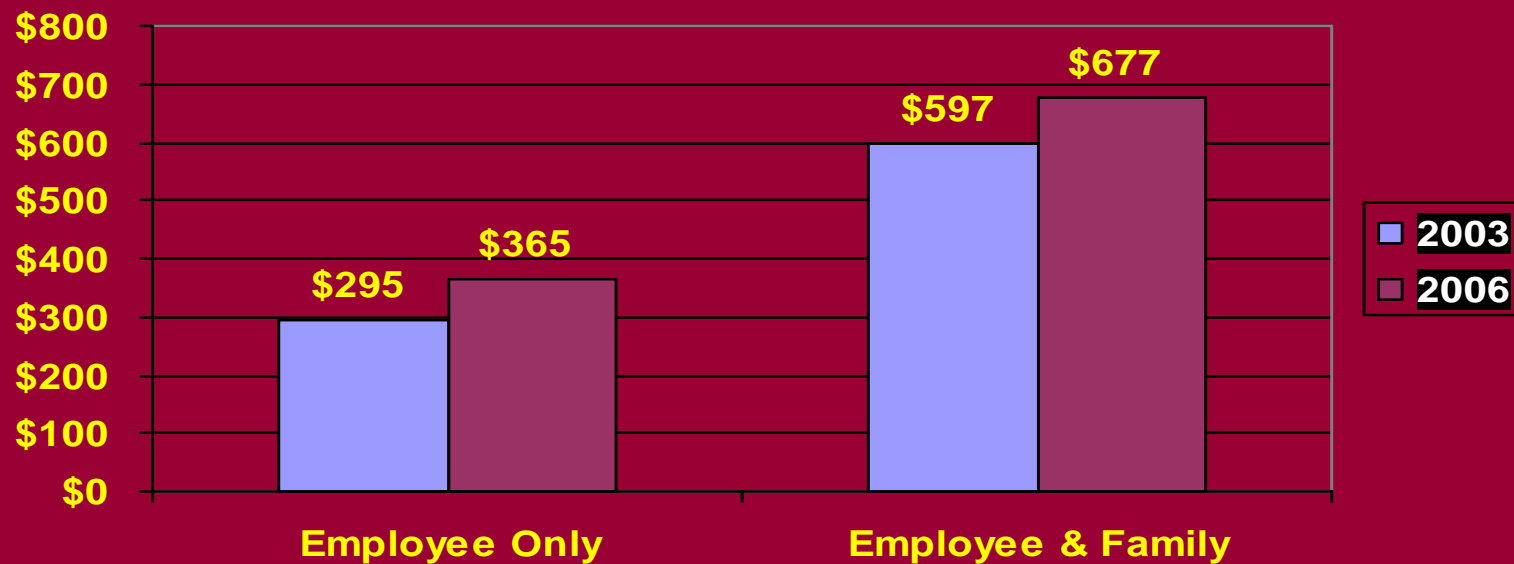


Steve Seninger, Bureau of Business & Economic  
Research, September, 2006

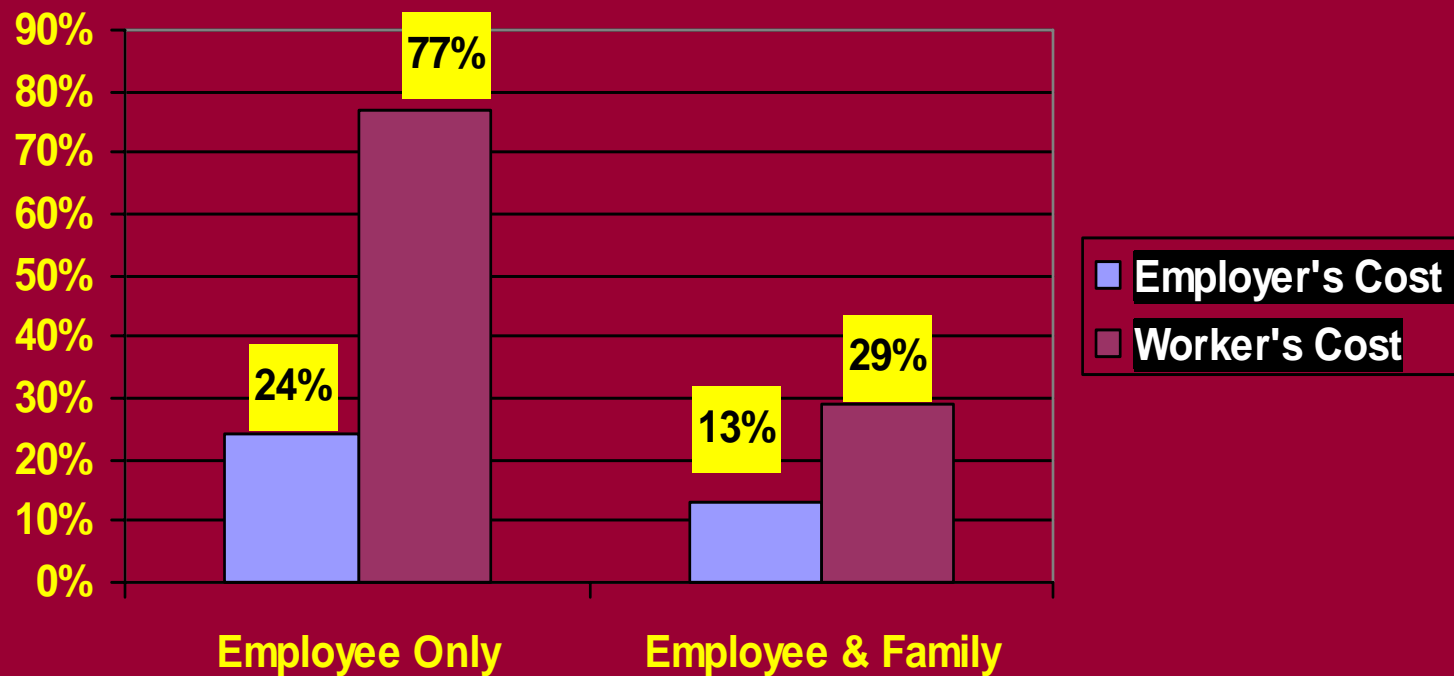
# Workforce Coverage

- Increases in % of firms offering insurance to all workers.....but.....
- These gains offset by cost shifting of premiums to workers
- Workers paying twice to three times more than the % increase in premium costs

**Figure 5: Average Monthly Health Insurance Premiums  
for Montana Employers Offering Health Insurance:  
2003 & 2006**



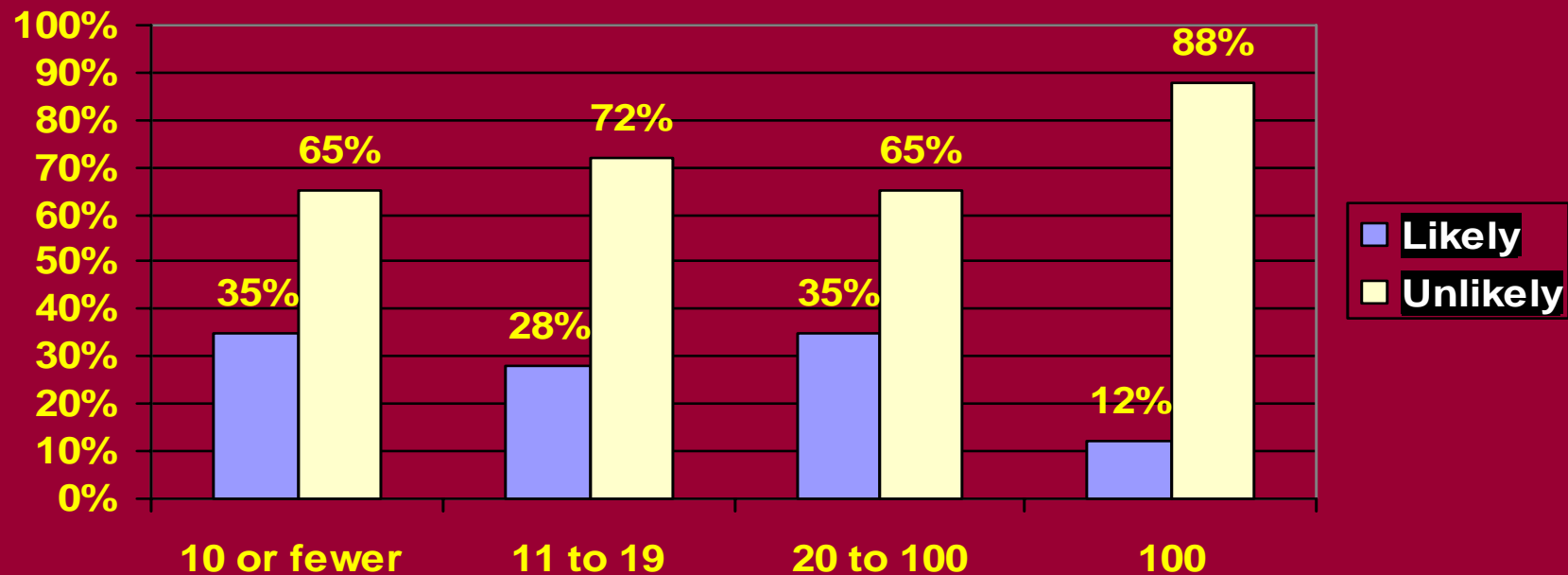
**Figure 6: Percent Change in Monthly Health Insurance Premiums: 2003 to 2006**



# **Employer Reactions to Higher Health Insurance**

- **Continued cost shifting to employees**
- **Options?.....**
- **What about a monthly cash payment to workers so they can buy insurance?**

**Figure 7: Percent Firms Who Would be Likely or Unlikely to  
Provide Direct Cash Payments to Employees for Health  
Insurance, 2006**

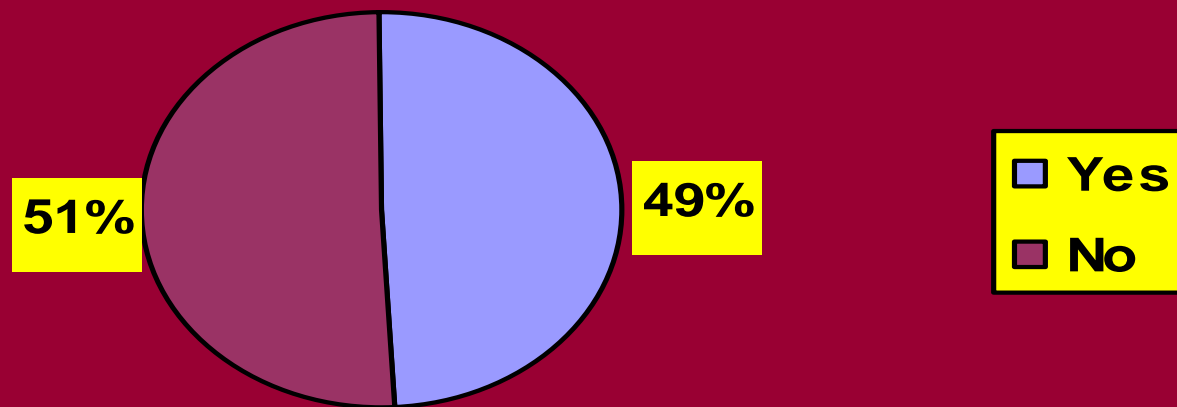




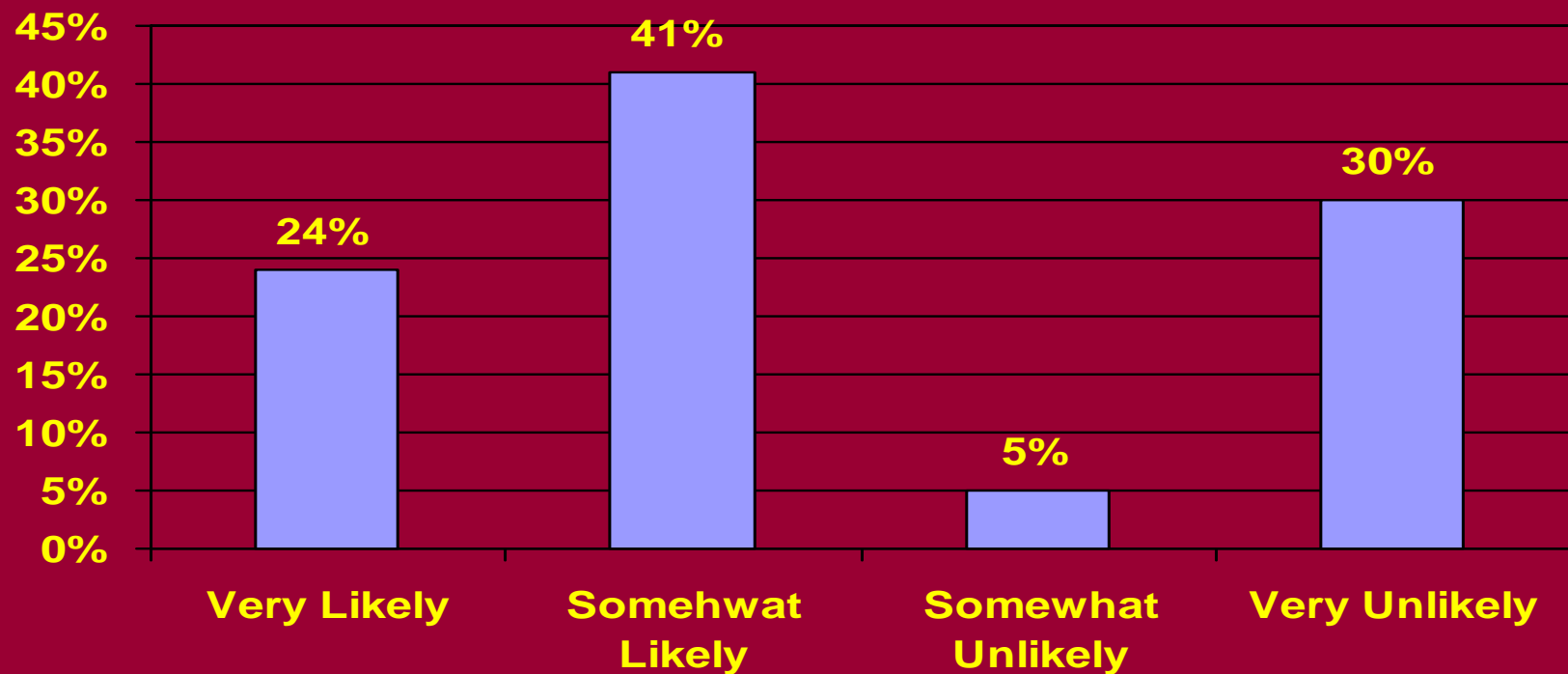
## **Montana's Insurance Assistance to Small Business**

- **Only 10 firms in both samples were involved in Insurance Assistance**
- **In full sample→57% of firms not offering had heard of the program**
- **49% of eligible firms with 5 or less workers had heard of the program**

**Figure 8: Percent of Eligible Small Firms Who Have Heard  
About Montana's Health Insurance Assistance Program, 2006**  
(n=113)



**Figure 9: Likelihood of Eligible Small Firms Participating in the State Health Insurance Assistance Program, 2006 (n=113)**



# Cost Implications

- Costs per \$ insurance provided from tax credits=\$2.36 to \$3.70
- Costs per \$ insurance from public=\$1.17 to \$1.33
- Need to look at long run costs of expanding tax credits in order to reduce Montana's uninsured population and
- Evaluate whether expansion of private insurance is going to do anything to contain healthcare costs

# Conclusions

- Other state health reform focus on cost containment and savings from more coverage
- Montana employers expect to do more cost shifting to workers→and with low wage growth---
- Workers squeezed out by un-affordability
- So more workers in small firms and low wage jobs will continue to lose insurance coverage